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WILLOUGHBY & HOEFER, P.A.

ATTORNEYS & COUNSELORS AT LAW

1022 CALHOUN STREET (SUITE 302)

P.O. BOX 8416

COLUMBIA, SOUTH CAROLINA 29202-8416

MITCHELL M. WILLOUGHBY
JOHN M.S. HOEFER
ELIZABETH ZECK*
PAIGE J. GOSSETT
RANDOLPH R. LOWELL
K. CHAD BURGESS
NOAH M. HICKS II**

AREA CODE 803
TELEPHONE 252-3300
TELECOPIER 256-8062

June 30, 2005

*ALSO ADMITTED IN TX
**ALSO ADMITTED IN VA

VIA HAND DELIVERY

The Honorable Charles Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, South Carolina 29210

RE: South Carolina Pipeline Corporation - Annual Review of the Purchased Gas
Adjustments and Gas Purchasing Policies;
Docket No. 2005-6-G

Dear Mr. Terreni:

Enclosed for filing, on behalf of South Carolina Pipeline Corporation ("SCPC"), you will find enclosed ten (10) copies of a proposed Order Approving and Adopting Settlement Agreement ("Proposed Order"), which is being submitted to the Public Service Commission of South Carolina ("Commission") for consideration in the above-captioned matter. We would greatly appreciate it if you would acknowledge your receipt of the Proposed Order by file-stamping the extra copies that are enclosed and returning them to us via our courier.

Additionally, please note that prior to filing the Proposed Order, SCPC circulated the order to all other parties of record for their consideration and comment and that no party of record objects to SCPC presenting the Proposed Order to the Commission for consideration.

By copy of this letter, I am serving all other parties of record with a copy of the Proposed Order and attach a certificate of service to that effect.

(Continued . . .)

The Honorable Charles Terreni
June 30, 2005
Page 2 of 2

If there are any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,

WILLOUGHBY & HOEFER, PA

A handwritten signature in black ink, appearing to read "K. Chad Burgess", written in a cursive style.

K. Chad Burgess

KCB/amw

Enclosures

cc: Florence P. Belser, Esquire (via hand delivery w/enclosures)
Catherine D. Taylor, Esquire (via hand delivery w/enclosures)
James N. Horwood, Esquire (via overnight delivery w/enclosures)
Paul W. Dillingham, Esquire (via overnight delivery w/enclosures)
Scott Elliott, Esquire (via hand delivery w/ enclosures)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET No. 2005-6-G

RECORDED
2005 JUN 30 PM 4:27
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DOCK 6-G

IN RE:

Annual Review of the Purchased Gas
Adjustments (PGA) and Gas Purchasing
Policies of South Carolina Pipeline
Corporation.

CERTIFICATE OF SERVICE

This is to certify that I, an employee of the law firm of Willoughby & Hoefer, P.A., on behalf of South Carolina Pipeline Corporation, have caused to be served this day one (1) copy of the proposed **Order Approving and Adopting Settlement Agreement**, via overnight delivery upon the persons named below at the addresses set forth:

James N. Horwood, Esquire
Pablo O. Nüesch, Esquire
Spiegel & McDiarmid
1333 New Hampshire Avenue, NW, Suite 1100
Washington, DC 20005-4798

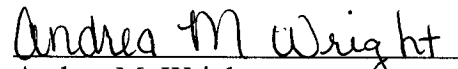
Paul W. Dillingham, Esquire
Spencer & Spencer, P.A.
226 East Main Street, Suite 200
Rock Hill, SC 29731

This is to further certify that I have caused to be served this day one (1) copy of the proposed **Order Approving and Adopting Settlement Agreement**, via hand delivery upon the persons named below at the addresses set forth:

(Continued . . .)

Florence P. Belser, General Counsel
Wendy B. Cartledge, Esquire
South Carolina Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, SC 29201

Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205


Andrea M. Wright

June 30, 2005
Columbia, South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-6-G

JUNE __, 2005

IN RE:

Annual Review of the Purchased Gas
Adjustments (PGA) and Gas Purchasing
Policies of South Carolina Pipeline
Corporation.

**ORDER APPROVING AND ADOPTING
SETTLEMENT AGREEMENT**

The above-captioned matter is before the Public Service Commission of South Carolina ("Commission") on the Joint Motion Requesting Approval of Settlement Agreement ("Joint Motion") filed by the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee, the City of Orangeburg, South Carolina (the "City of Orangeburg"), Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, and Patriots Energy Group (collectively referred to herein as "PEG"), and South Carolina Pipeline Corporation ("SCPC" or the "Company") (all of whom are collectively referred to as the "Parties").

By Commission Directive dated June 21, 2005, the Commission granted the Joint Motion in part and ordered that the Settlement Agreement be accepted into the record without objection. The Commission also ordered that the pre-filed direct testimony of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard and ORS witnesses Jay R. Jashinsky and Carey Flynt be accepted into the record without objection or cross-examination. Furthermore, the Commission appointed Joseph M. Melchers, Chief Legal

Advisor of the Commission Staff, as Hearing Officer to address and resolve any procedural issues related to the hearing.¹

The Commission conducted a formal hearing in this matter on June 22, 2005, beginning at 10:30 a.m. in the hearing room of the Commission with the Honorable Randy Mitchell, Chairman, presiding. Mitchell Willoughby, Esquire, and Catherine D. Taylor, Esquire represented SCPC. Charles Cook, Esquire appeared on behalf of SCEUC. Paul W. Dillingham, Esquire represented PEG. Florence P. Belser, Esquire and Wendy B. Cartledge, Esquire appeared on behalf of ORS. Counsel for the City of Orangeburg, James N. Horwood, was excused from attending the hearing and therefore, was not present.

¹ Hearing Officer Melchers resolved all procedural issues as follows:

With the exception of witness Carey Flynt of ORS, the witnesses are excused from appearance at tomorrow's hearing. With the exception of Attorney Jim Horwood, who is excused from attendance [*sic*] at tomorrow's settlement hearing, the attorneys for the parties, and ORS witness Carey Flynt, will appear before the Commission at the hearing scheduled for Wednesday, June 22, 2005, to acknowledge their respective client's consent to the proposed settlement agreement and their respective client's belief that the agreement is in the interest of the parties and the public interest (Mr. Charles Cook will be present for Mr. Scott Elliott). Ms. Flynt shall appear as a witness at the Wednesday hearing for the limited purpose of addressing questions related to the terms of the proposed settlement and any of the facts supporting the settlement. Ms. Flynt is to be available to answer Commissioners' and ORS' questions, but may also be made available for any clarifying questions that the other parties may have as the result of her live testimony. Further, the Commission reserves the right to call the other witnesses who have prefiled testimony in this Docket, if the Commission believes after Wednesday's hearing that it needs further information prior to making its decision in this Docket.

At the hearing, upon oral motion of Ms. Cartledge of ORS, the Commission accepted into the record the pre-filed direct testimony and exhibits of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard and ORS witnesses Jay R. Jashinsky and Carey Flynt. The Commission also accepted into the record the Settlement Agreement, which was designated as Hearing Exhibit No. 1.

All counsel present at the hearing acknowledged their respective clients' consent to the terms of the Settlement Agreement. Further, the Parties represented that they "have each determined that their interest and the public interest would be best served by settling the above-captioned case" [See Hearing Exhibit No. 1 at p.2]. Moreover, ORS presented witness Carey Flynt who explained the terms of the Settlement Agreement and testified that the Settlement Agreement was in the public interest. A copy of the Settlement Agreement is attached hereto as Order Exhibit No. 1 and is hereby incorporated into and made part of this Order.

In addition to testifying that the Settlement Agreement was in the public interest, Ms. Flynt also summarized her pre-filed direct testimony and the findings of ORS. More specifically, she testified that ORS conducted an extensive audit of SCPC's gas costs for the period January 2004 through December 2004 ("Review Period") and concluded that SCPC's gas purchasing policies and practices were reasonable and prudent and that the Company had properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

Ms. Flynt testified further that the Company had managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders and recommended that SCPC be allowed to continue operating its hedging program at the presently

approved level of up to seventy-five percent (75%) of system supply. She also recommended that the Commission authorize the continuation of SCPC's Industrial Sales Program – Rider without modification and that the Commission continue to require SCPC to assign 20,000 dekatherms ("dts") per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand). No other witnesses testified at the hearing. Further, the Commission is satisfied with the answers given by Ms. Flynt in response to the questions presented to her at the hearing by the Commissioners and therefore, concludes that it is not necessary for any other witnesses to provide additional testimony in this proceeding.

After careful review and consideration of the Joint Motion and Settlement Agreement, the evidence of record, and the representations of counsel, the Commission concludes as a matter of law that (i) approval of the Settlement Agreement is in the public interest; (ii) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent; (iii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; (iv) SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders, and it is in the best interest of the public to permit SCPC to continue operating its hedging program at the presently approved level of up to seventy-five percent (75%) of estimated gas purchases for firm customers; (v) SCPC's Industrial Sales Program – Rider should be continued without modification; and (vi) SCPC should continue to assign 20,000 dts per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted

the Company during the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).

NOW THEREFORE, based upon the foregoing, **IT IS HEREBY DECLARED AND ORDERED THAT:**

1. The Settlement Agreement attached hereto as Order Exhibit No. 1 is accepted into the record without objection and is incorporated into and made part of this Order by reference. Further, the Settlement Agreement is found to be in the public interest and constitutes a reasonable resolution of this proceeding.

2. The pre-filed direct testimony and exhibits of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard are accepted into the record without objection.

3. The pre-filed direct testimony and exhibits of ORS witnesses Jay R. Jashinsky and Carey Flynt are accepted into the record without objection. Further, the oral testimony of Ms. Flynt presented at the hearing on June 22, 2005, is also incorporated into the record without objection.

4. SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent.

5. SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

6. SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; therefore, SCPC is authorized to continue operating its hedging program at the presently approved level of up to seventy-five percent (75%) of estimated gas purchases for firm customers.

7. The Industrial Sales Program – Rider shall be continued without modification.

8. SCPC shall continue to assign 20,000 dts per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).

9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Randy Mitchell, Chairman

ATTEST:

G. O'Neal Hamilton, Vice-Chairman

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-6-G

IN RE:)	
)	
Annual Review of the Purchased Gas)	
Adjustments (PGA) and Gas Purchasing)	SETTLEMENT AGREEMENT
Policies of South Carolina Pipeline)	
Corporation.)	
<hr/>)	

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee, the City of Orangeburg, South Carolina (the "City of Orangeburg"), Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, Patriots Energy Group,¹ and South Carolina Pipeline Corporation ("SCPC") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, by South Carolina Public Service Commission ("Commission") Order No. 87-1122 dated October 5, 1987, the Commission instituted an annual review of SCPC's Purchased Gas Adjustment and Gas Purchasing Policies. In the above-captioned proceeding the review period is January 2004 through December 2004 ("Review Period");

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

¹ Lancaster County Natural Gas Authority, York County Natural Gas Authority, Chester County Natural Gas Authority, and Patriots Energy Group are collectively referred to herein as "PEG."

WHEREAS, the Parties have engaged in discussions, most recently on June 14, 2005, to determine if a settlement of this proceeding would be in their best interest;

WHEREAS, following those discussions the Parties have each determined that their interest and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of SCPC witnesses Paul V. Fant, Michael P. Wingo, Samuel L. Dozier, John S. Beier, and Thomas R. Conard, without objection, change, amendment, or cross-examination.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of ORS witnesses Jay R. Jashinsky and Carey Flynt, without objection, change, amendment, or cross-examination.

3. The Parties further agree that with the stipulated testimony of record, the hearing record then before the Commission will conclusively demonstrate the following: (i) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent, (ii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, (iii) SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders and therefore, should be continued at the currently approved level of up to 75% of estimated gas purchases for firm customers, (iv) SCPC's Industrial Sales Program – Rider should be continued without modification, and (v) SCPC should continue to assign 20,000 dekatherms ("dts") per day of the least expensive daily delivered gas volume to the weighted average cost of gas (subject to the flexibility granted the Company during the summer period of April through October of

assigning 10,000 dts per day of the 20,000 dts per day requirement in accord with its varying load demand).

4. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

5. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

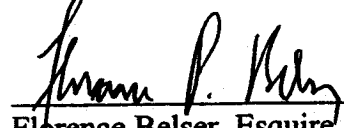
6. This agreement shall be interpreted according to South Carolina law.

7. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

Representing and binding the Office of Regulatory Staff



Florence Belser, Esquire
Wendy B. Cartledge, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, SC 29201
Phone: (803) 737-0853
Fax: (803) 737-0800
Email: fbelser@regstaff.sc.gov

WE AGREE:

Representing and binding South Carolina Pipeline Corporation

Catherine D. Taylor, Esquire
SCANA Corporation
1426 Main Street, 13th floor
Columbia, SC 29201
Phone: (803) 217-9356
Fax: (803) 217-7931
Email: cdtaylor@scana.com

Mitchell Willoughby, Esquire
K. Chad Burgess, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
1022 Calhoun Street, Suite 302
Columbia, SC 29202-8416
Phone: (803) 252-3300
Fax: (803) 256-8062
Email: mwilloughby@willoughbyhoefer.com

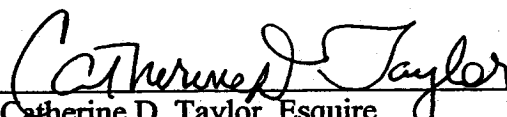
WE AGREE:

Representing and binding the Office of Regulatory Staff

Florence Belser, Esquire
Wendy B. Cartledge, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, SC 29201
Phone: (803) 737-0853
Fax: (803) 737-0800
Email: fbelser@regstaff.sc.gov

WE AGREE:

Representing and binding South Carolina Pipeline Corporation



Catherine D. Taylor, Esquire
SCANA Corporation
1426 Main Street, 13th floor
Columbia, SC 29201
Phone: (803) 217-9356
Fax: (803) 217-7931
Email: cdtaylor@scana.com

Mitchell Willoughby, Esquire
K. Chad Burgess, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
1022 Calhoun Street, Suite 302
Columbia, SC 29202-8416
Phone: (803) 252-3300
Fax: (803) 256-8062
Email: mwilloughby@willoughbyhoefer.com

WE AGREE:

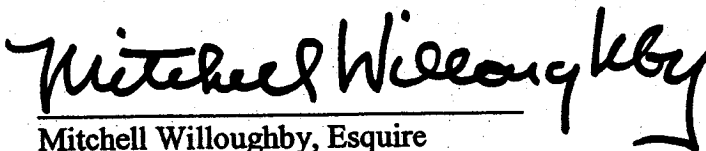
Representing and binding the Office of Regulatory Staff

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WE AGREE:

Representing and binding South Carolina Pipeline Corporation

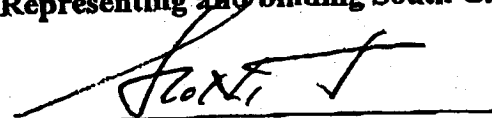
Catherine D. Taylor, Esquire
SCANA Corporation
1426 Main Street, 13th floor
Columbia, SC 29201
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Email: cdtaylor@scana.com



Mitchell Willoughby, Esquire
K. Chad Burgess, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
1022 Calhoun Street, Suite 302
Columbia, SC 29202-8416
Phone: (803) 252-3300
Fax: (803) 256-8062
Email: mwilloughby@willoughbyhoefer.com

SCEUC has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. SCEUC's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Although SCEUC has not conducted an independent investigation into the prudence of SCPC's gas purchasing policies and practices, SCEUC is aware that ORS has conducted such an investigation, and by executing this Settlement Agreement, SCEUC hereby supports the positions and conclusions of ORS as set forth in the pre-filed direct testimony of ORS witnesses Jay Jashinsky and Carey Flynt.

Representing and binding South Carolina Energy Users Committee



Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205
Phone: (803) 771-0555
Fax: (803) 771-8010
Email: selliott@elliottlaw.us

The City of Orangeburg has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. The City of Orangeburg's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Consequently, the City of Orangeburg does not represent that SCPC's practices have in fact been prudent. Rather, the City of Orangeburg's execution of this Settlement Agreement is strictly limited to acknowledging that it does not oppose or object to the Commission making the findings set forth above in Paragraph 3 applicable to the period under review.

Representing and binding the City of Orangeburg



James N. Horwood, Esquire

Pablo O. Nüesch, Esquire

Spiegel & McDiarmid

1333 New Hampshire Avenue, N.W.

Washington, D.C. 20036

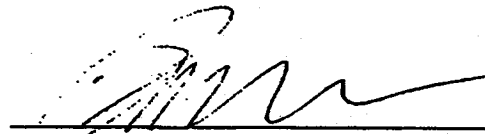
Phone: (202) 879-4000

Fax: (202) 393-2866

Email: james.horwood@spiegelmc.com

PEG has not independently reviewed (i) SCPC's gas purchasing policies and practices, (ii) the management of SCPC's hedging program, (iii) SCPC's Industrial Sales Program – Rider, or (iv) whether SCPC should continue to assign 20,000 dekatherms per day of the least expensive daily delivered gas volume to the weighted average cost of gas. PEG's review of these matters is limited only to (i) SCPC's responses to ORS's Information Data Requests Set No. 1 and Set No. 2; (ii) SCPC's responses to the City of Orangeburg's Interrogatories and Information Data Requests Set No. 1 and Set No. 2, and (iii) the pre-filed direct testimony of SCPC's and ORS's witnesses. Consequently, PEG does not represent that SCPC's practices have in fact been prudent. Rather, PEG's execution of this Settlement Agreement is strictly limited to acknowledging that it does not oppose or object to the Commission making the findings set forth above in Paragraph 3 applicable to the period under review.

Representing and binding Lancaster County Natural Gas Authority, Chester County Natural Gas Authority, York County Natural Gas Authority, and Patriots Energy Group



Paul W. Dillingham, Esquire

Spencer & Spencer, P.A.

Post Office Box 780

226 East Main Street

Rock Hill, SC 29731

Phone: (803) 327-7191

Fax: (803) 327-3868

Email: pauldillingham@spencerfirm.com